



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of Pacific Gas and Electric Company
Proposing Cost of Service and Rates for Gas
Transmission and Storage Services for the Period
2015-2017 (U 39 G).

Application 13-12-012
(Filed December 19, 2013)

And Related Matter.

Investigation 14-06-016
(Filed June 26, 2014)

**NOTICE OF EX PARTE COMMUNICATION OF
CALPINE CORPORATION AND
THE SACRAMENTO MUNICIPAL UTILITY DISTRICT**

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***Attorneys for Sacramento Municipal Utility
District***

June 17, 2016

Pursuant to Rules 8.3 and 8.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Calpine Corporation (“Calpine”) and the Sacramento Municipal Utility District (“SMUD”) provide this notice of ex parte communication.

On June 14, 2016, Avis Kowalewski, Calpine's Vice President, Governmental & Regulatory Affairs, Joseph Karp of Winston & Strawn LLP, Calpine's outside counsel, R. Thomas Beach of Crossborder Energy, Calpine's consultant, William Westerfield, SMUD's counsel, and Tom Ingwers, SMUD's consultant, met with Rachel Peterson, advisor to Commissioner Randolph, from approximately 3:00 p.m. to 3:30 p.m. The meeting occurred at the Commission's offices in San Francisco. Calpine requested the meeting.

During the meeting Calpine's and SMUD's representatives discussed their support for Pacific Gas and Electric Company's (“PG&E”) proposal to retain the existing structure of noncore customer rates, in which customers that connect directly to PG&E's backbone system do not pay for local transmission service.

Mr. Karp and Mr. Beach described the origins of and rationale behind the requirement that only customers that had never connected to the local transmission system are eligible for backbone-level service.

Mr. Karp explained that the safety costs being allocated in this proceeding are tied to specific pipeline systems and are in the nature of capital improvements and expenses needed to maintain such systems. Mr. Ingwers explained that SMUD incurs similar costs to operate and maintain its pipeline network. Mr. Beach explained that the Commission has twice rejected attempts to allocate safety costs using non-traditional methods.

Ms. Kowalewski explained that various factors influence the economics of siting power plants, including access to gas and electric infrastructure and access to water.

Mr. Karp stated that neither Calpine nor SMUD oppose Northern California Gas Coalition's ("NCGC") proposal that any customer that connects directly to the Backbone System receive the backbone-level rate, but that Calpine and SMUD oppose the Dynegy and NCGC proposal to increase backbone-level customer rates solely for purposes of disadvantaging backbone-level customers' ability to compete in electricity markets.

Mr. Westerfield explained that it is fair to allocate costs based on cost-of-service principles and that it would not be fair to reallocate costs to customers based upon the choices that they made when connecting their plants to the gas system.

June 17, 2016

Respectfully submitted,

/s/ Joseph M. Karp

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